

# Ethics in Banking

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## Scheme of Presentation

- Meaning and attributes of the word Ethics
- Ethics in the context of banks
- Guiding principle of banking ethics
- Leading cases of breach of Ethical norms
- Do's and Don't in banking ethics

# Meaning and attributes of the word ethics

- Moral beliefs and rules about right and wrong, what is good and bad
- Decent human conduct, human and natural right, pursuit of law of the land, concern for health, safety and Environment
- Conduct with moral duty and obligation
- Self generated, and acquired as obligation

# Ethics in the context of banks

Banks are generally regarded as :

- Trustee of depositors, thus community faith
- Mentor of creditors,
- Conduct for accelerating government development policies
- One of the agents for propelling economic growth and employment

# Ethics in.....contd.

Inside the organization:

- Personnel management, individual obligation, code of conduct
- Supervisory functions including control of branches
- Internal audit and reporting
- The overall functioning of the organisation

# Guiding principles for banking ethics

- To get faith of counter part banks, own customers, shareholders employees and other organizations
- To sustain existing reputation, reliability professionalism in the public
- To protect and maintain stability, consistency and confidence
- To remain in better position in competitive market

# Grey areas in the application of ethics

- Accepting or not, gifts and favours
- Involving stakeholders in core function of banks
- Attending festivities including social and cultural ceremonies
- Undermining conflict of interest

# Leading cases of breach of ethical norms -international

- City bank Gurgaon Rs. 400 crore scandal hatched by the CEO forging official notifications, prepared banks investment product committee approvals
- Layman brothers dealt with toxic assets without adequate financial backing
- Siphoning off of almost USD 150 million from the account of Bangladesh bank
- Reluctance to reimburse the guaranteed amount by the construction bank China to Nepalese commercial banks



## Sharing own experience

Not spared even a sibling of a best friend on embezzlement case,  
funded by the World bank

Defying the pressures from the people of all walks of life to give back  
the management of one of the problematic commercial banks

Honouring the summon of the acting chief of the CIAA

Vehicle lift denied and accepted depending on situations

# Do's in the banking ethics

- Ensuring safety and fair return to depositors maintaining level possible with narrow spread
- Abide by transparent accounting practices and existing regulations
- Develop effective risk management system, protect minority share holders' interest and practice non discrimination
  - Clear demarcation of authority of board, CEO and others

# What to avoid

Improper pressures, allurements

Illegal transactions including money laundering

Ganging up for unlawful gains

‘Socializing losses and privatizing gains’- source of greed

# In nutshell

- Though ethics concerns more with regulation, behaviour part is no less important
- Defying ethical code provides instant benefits and hence happiness but awaits ever lasting loss
  - Stable peace and prosperity lies in honouring ethics
- Ethics is the source of all decencies hence sustained happiness

*Thank you*